

Section 1. Preamble. Amends RCW 50.01.010 to remove the direction to liberally construe the unemployment insurance program for the purpose of reducing involuntary unemployment and the suffering caused thereby to the minimum. Effective date: June 20, 2003.

Section 2. Stock Options. New section added to Chapter 50.04 RCW (Definitions) that exempts from the definition of “wages” stock options granted to an individual for any reason specifically connected to their employment. Effective date: January 1, 2004.

Section 3. Work Search. Amends RCW 50.20.010 (Benefit Eligibility Conditions), adding a requirement for new claims for UI after January 3, 2004 that in situations when a labor agreement or dispatch rules apply to the job search, the individual comply with those methods as well as customary trade practices. Effective date: June 20, 2003.

Section 4. Voluntary Quit. Amends RCW 50.20.050 (Disqualification for leaving work voluntarily without good cause), defining distinctly ten specific reasons for which an individual will not be disqualified from benefits for a voluntary quit. Note: In the Governor’s Veto message of Section 28a study of the impacts of the changes made in this section is required. (The full text of the Governor’s Veto Message follows the text of the bill.) The study is due to the Governor by June 2005. Effective date: The current law regarding the voluntary quit provisions remains in effect for new claims filed prior to January 4, 2004. The new provisions take effect for all new claims filed on or after January 4, 2004.

Section 5. Misconduct. Amends RCW 50.04.293 (Misconduct Definition) to provide that the current definition is applicable only to new claims filed before January 4, 2004. Effective date: June 20, 2003.

Section 6. Misconduct and Gross Misconduct. New Section in Chapter 50.04 RCW (Definitions) that defines what misconduct is, as well as defining “Gross Misconduct”. It enumerates various types of conduct and specific acts that constitute disqualifying misconduct. Effective date: January 4, 2004.

Section 7. Misconduct. Amends RCW 50.20.060 (Disqualification from benefits due to Misconduct) to provide that this section is only applicable to new claims filed before January 4, 2004. Effective date: June 20, 2003.

Section 8. Gross Misconduct. Amends RCW 50.20.065 (Cancellation of wage credits due to felony or gross misconduct) to provide that this section is only applicable to new claims filed before January 4, 2004. Effective date: June 20, 2003.

Section 9. Misconduct and Gross Misconduct. New Section. Adds a new section to Chapter 50.20 RCW (Benefits and Claims) for new claims filed on or after January 4, 2004, to increase the penalty for disqualification for misconduct from the current 7 weeks and earnings of 7 times their weekly benefit amount to 10 weeks and earnings of 10 times their weekly benefit amount. Further, if the individual has been discharged for gross misconduct as defined in Section 6, the individual will have the greater of all hourly wage credits based on that employment or 680 hours of wage credits canceled. Effective date: January 4, 2004.

Section 10. Job Search Monitoring. Amends RCW 50.20.240 (Job Search Monitoring) to expand Job Search Monitoring to include claimants collecting Washington benefits outside the state beginning with new claims filed on or after January 4, 2004. Requires the agency to contract with employment security agencies in other states to ensure claimants residing in those states and receiving benefits under this title are actively searching for work according to the requirements of the law. The department may use voice technology or other electronic means to ensure that claimants are subject to comparable job search monitoring regardless of where they live. Effective date: January 4, 2004.

For claimants with an effective date on or after January 4, 2004, the evidence of seeking work must demonstrate contacts with at least three employers per week or at least three documented in-person job search activities per week at the local reemployment center. Effective date: June 20, 2003.

An individual who fails to comply fully shall lose all benefits for all weeks during which the individual was not in compliance and shall be liable to repay all benefits. Effective date: January 4, 2004.

Section 11. Maximum Benefit. Amends RCW 50.20 120 (Amount of benefits), changing the maximum benefits payable calculation, the weekly benefit amount calculation, and the maximum weekly benefit amount payable calculation.

The maximum benefits payable calculation is the lesser of one-third of the claimant's base period earnings or thirty times their weekly benefit amount. If the state's unemployment rate is found to be less than 6.8%, then the maximum benefits payable amount is the lesser of one-third of the claimant's base period earnings or twenty-six times their weekly benefit amount. Effective date: June 20, 2003.

For new claims filed with an effective date prior to January 4, 2004 the weekly benefit amount calculation remains at one twenty-fifth of the average of the two highest quarters' earnings in the claimant's base period.

For new claims filed with an effective date between January 4, 2004 and December 26, 2004, the weekly benefit amount calculation is changed to one twenty-fifth of the average of the three highest quarters' earnings in the claimant's base period. Effective date: January 4, 2004.

For new claims filed with an effective date on or after January 2, 2005, the weekly benefit amount calculation is changed to one percent of the claimant's base period earnings. This is the equivalent of one twenty-fifth of the base period average quarterly earnings. Effective date: January 2, 2005.

The maximum weekly benefit amount calculation is changed from the current 70% of the average weekly wage paid in the prior year to the greater of \$496 or 63% of the average weekly wage paid in the prior year. Effective date: January 4, 2004.

Section 12. Part-Time Workers. New section in Chapter 50.20 RCW (Benefits and Claims) to allow individuals actively seeking part-time employment to be eligible for UI benefits. The part-time worker must have wages in at least forty weeks in their base period and may not have worked more than 17 hours per week in any week of their base period. Effective date: January 2, 2005.

Section 13. Suitable Work for Part-time. Amends RCW 50.20.100 (Suitable Work Factors) to define suitable work for part-time workers as defined in Section 12. Effective date: June 20, 2003.

Section 14. Tax Rates. This section amends RCW 50.29.025 (Contribution Rate) to restructure the taxing mechanism used for the financing of UI benefits for claimants. Effective for rate year 2005, the current system of tax array, trust fund triggers and schedules based on the trust fund level are eliminated. A calculation of benefits to taxable wages, expressed as a ratio, is assigned to an employer. Based on that rate, all qualified employers are allocated into 40 rate classes with rates ranging from 0.0% to 5.4%. This number is the array calculation factor rate, or more simply, the experience rated tax.

A graduated social cost tax is determined by first calculating a flat social cost tax rate (total social cost divided by the total taxable payroll) and then providing for a graduated social cost tax rate that ranges from 78 percent to 120 percent of the flat social cost tax depending on the employer's rate class. The social cost is calculated by taking the amount of benefits paid in the twelve months ending June 30 and subtracting the amount of the experience rated taxes paid during the same period. The remainder is then divided by the total taxable wages paid for the same period.

If the balance in the unemployment insurance trust fund will provide fewer than six months of benefits, an employer's contribution rate may include a solvency surcharge. The solvency surcharge is based on the lowest rate necessary to provide revenue during a rate year that will fund unemployment benefits for eight months of benefits, by assessing the cost of difference between eight months and the number of months the balance in the fund will provide benefits. The employer's total contribution rate is therefore based on the sum of the experience rated tax, the graduated social cost tax and the solvency surcharge, if applicable. The sum of the experience rated tax and the graduated social cost tax may not exceed 6.5 percent. The rate for employers in certain seasonal industries is capped at 6 percent.

Beginning in 2005, new employers receive an experience rated tax that is 15% above the industry average, but not less than 1 percent and not more than the experience rated tax for employers in rate class 40. The social cost tax assigned to new employers is calculated at 15% above the industry average social cost tax, but not more than the social cost tax for employers assigned to rate class 40.

Delinquent employers will be assigned an experience rated tax 0.2% higher than the rate assigned to rate class 40. In addition, the social cost tax rate is equal to the social tax cost assigned to rate class 40.

Effective date: January 1, 2005.

Section 15. 3-Year Averaging. Amends RCW 50.04.355 (Wages, Remuneration—Average Annual Wage—Average Annual Wage for Contribution Purposes) to state that the taxable wage base beginning January 1, 2007 will be calculated at 80% of the average annual wage for the preceding year, instead of the current 80% of the average annual wage for the three preceding years' average annual wages.

Effective date: January 1, 2007.

Section 16. Solvency Surcharge. New section in Chapter 50.29 (Employer Experience Rating) that adds an insolvency surcharge to the employer's tax rates when the balance in the UI Trust Fund on September 30 of any year is an amount less than necessary to provide for six months of UI benefits.

Effective date: January 1, 2005.

Section 17. Voluntary Contributions. Amends RCW 50.29.026 (Modification of Contribution Rate) to account for the changes made in Section 14. To be eligible for modification of the contribution rate, the employer must have seen an increase of at least 12 rate classes (currently 6 rate classes) and must "buy back" at least 4 rate classes (currently 2 rate classes). Effective date: June 20, 2003.

Section 18. Predecessor/Successors. Amends RCW 50.29.062 (Contribution rates for predecessor and successor accounts) to further detail the definition of a successor.

Subsection (2) applies to a business transfer occurring prior to January 1, 2005 and references the use of the North American Industrial Classification System in the determination of the industry average.

Effective date: June 20, 2003.

Subsections (4) and (6) apply to a business transfer occurring on or after January 1, 2005 and defines the calculations used in establishing successor employer tax rates. Effective date: January 1, 2005.

Section 19. Tax rate notice. Amends RCW 50.29.070 (Notice of Employer Benefit Charges and Contribution Rate—Review and Appeal) to require the department to include on the employer's tax rate notice all of the components of the employer's taxes. Effective date: January 1, 2005.

Section 20. Current benefit charge relief. Amends RCW 50.29.020 (Experience Rating Accounts—Benefits not Charged) to provide that the current relief of benefit charging provisions are only in effect for new claims filed before January 4, 2004. (Note: Section 35 repealed the definition of Individuals Marginally Attached to the Labor Force. As a result, for all new claims filed with an effective date of June 22, 2003 or later, employers will no longer be eligible for relief of these types of benefit charges against their experience rating accounts) Effective date: June 20, 2003.

Section 21. Benefit charge relief. Amends RCW 50.29.020 (Employer Experience Rating) defining the new provisions for the relief of benefit charging on new claims filed after January 4, 2004. These include the charging of voluntary quits in certain instances to the separating employer as well as elimination of the current relief of benefit charging granted for benefits paid to individuals considered marginally attached to the labor force. Effective date: January 4, 2004.

Section 22. Employer Penalties. Amends RCW 50.12.220 (Penalties for Late Reports or Contributions—Assessment—Appeal) to change the amount an employer is penalized for the failure to file contribution reports in a timely and complete manner from the current \$10.00 per violation to an amount determined by the commissioner, but not more than 10% of the quarter's taxes and not to exceed \$250.00.

Further, if an employer knowingly misrepresents the amount of the payroll, the employer will be subject to a penalty up to 10 times the difference in the amount of contributions paid and the amount of contributions determined to be due, plus the cost of reasonable expenses the department used to audit the payroll records.

Finally, if a delinquency is due to evading the successorship provisions, the employer will be assigned to the highest rate class (20 or 40, as applicable) for five consecutive quarters.

Effective date: June 20, 2003.

Section 23. Funds. Amends RCW 50.16.010 (Unemployment Compensation Fund—Administrative Contingency Fund—Federal Interest Payment Fund) to make technical changes and remove the reference to the 2001-03 fiscal biennium appropriation by the legislature. It also prohibits the use of this fund for RCW 50.04.070, 50.04.072, 50.16.010 and 50.29.025. Effective date: June 20, 2003.

Section 24. Funds. Amends RCW 50.16.015 (Federal Interest Payment Fund—Establishment) to provide that monies collected for the Federal Interest Payment Fund may only be expended for the payment of interest on loans made to Washington State in the event the UI Trust Fund were to become insolvent. Effective date: June 20, 2003.

Section 25. Funds. Amends 50.24.014 (Financing Special Unemployment Assistance—Financing the Employment Security Department's Administrative Costs—Account—Contributions) to provide the monies collected under this section are to be used solely for the purposes of enacting the Employment Security Act (Title 50 RCW). Effective date: June 20, 2003.

Section 26. Overpayment. Amends RCW 50.20.190 (Recovery of Benefit Payments) to provide that the interest penalty collected would be first used to fully fund "either social security number cross-match audits or other more effective activities that ensure that individuals are entitled to all amounts of benefits that they are paid" and second to fund other detection, recovery and collection methods. It also strikes the reference to a 2001-03 appropriations to the community and technical colleges from this fund. Effective date: June 20, 2003.

Section 27. Employment Defined. Wages of Alien Workers. Amends RCW 50.04.206 (Employment—Nonresident Alien) to deem that services are not covered for unemployment insurance purposes if they are performed by nonresident aliens authorized under (H)(ii) of the federal immigration and naturalization act. Effective date: June 20, 2003.

Section 28. Proof of identification. VETOED. Amends RCW 50.20.140 to require individuals filing new and weekly claims for unemployment insurance benefits telephonically or electronically to provide additional proof of identity, such as driver's license, id card, or other, as specified by rule. **Note: This section was vetoed by the Governor.**

Section 29. Studies. New section. This section requires the department to conduct three studies: (1) Consulting with an advisory committee, identify the costs of programs funded by special administrative contributions under Title 50 RCW. (2) Conduct a review of the type, rate, and causes of employer turnover in the unemployment compensation system. (3) Conduct a study of the potential for year to year volatility in the rate classes to which employers in the new tax structure are assigned, along with recommendations on minimizing volatility. Reports on all three studies are due to the appropriate legislative committees by December 1, 2003. Effective date: June 20, 2003.

Section 30. Commissioner Approved Training. Technical amendment to RCW 50.20.043 (Training Provisions) to correct technical references made in this bill. Effective date: June 20, 2003.

Section 31. Redetermination. Technical amendment to RCW 50.20.160 (Redetermination) to correct technical references made in this bill. Effective date: June 20, 2003.

Section 32. Appeals. Technical amendment to RCW 50.32.040 (Benefit Appeal Procedure) to correct technical references made in this bill. Effective date: June 20, 2003.

Section 33. Community Colleges. Technical amendment to RCW 28B.50.030 (Definitions) to correct technical references made in this bill. Effective date: June 20, 2003.

Section 34. Rules. New Section. Authorizes the commissioner to adopt rules, as needed, to implement this bill. Effective date: June 20, 2003.

Section 35. Repealers. This section repeals four sections of Title 50 RCW:

1. RCW 50.20.015 (Person With Marginal Labor Force Attachment) definition
2. RCW 50.20.045 (Employee Separated from Employment Due to Wage Garnishment not Disqualified)
3. RCW 50.20.125 (Maximum Amount Payable Weekly)
4. RCW 50.29.045 (Contribution Rate—Insolvency Surcharge).

Effective date: June 20, 2003.

Section 36. Severability. This section is the federal conformity language. Effective date: June 20, 2003.

Section 37. Severability. This section is the state conformity language. Effective date: June 20, 2003.

Section 38. Effective Date. This section causes Section 29 (the three studies) of this bill to expire January 1, 2004. Effective date: June 20, 2003.

Section 39. Emergency clause. This section is the emergency clause, making the bill effective upon the Governor's signature. Effective date: June 20, 2003.